

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 851 - SB 1028

March 31, 2017

SUMMARY OF BILL: Declares it a goal of the state that at least 20 percent of all food and all food products purchased by state agencies and state-owned facilities, including, but not limited to, after school programs, childcare facilities, correctional facilities, mental health and developmental disability facilities, jails, juvenile facilities, public hospitals, public universities be local farm or food products by 2024. Authorizes preference to be given to an otherwise qualified bidder for a contract for the purchase of food or food products that must be awarded to the lowest responsible bidder, if such bidder fulfills the contract through the use of local farm or food products of substantially equivalent quality to out-of-state farm or food products, and if the cost included in the bid is not more than 10 percent greater than the cost included in the bid that would not be fulfilled through the use of such products.

Creates the *Local Food Procurement Act*. Creates the local food, farms, and jobs council (LFFJC) to facilitate the growth of local farms and food product economies in Tennessee to revitalize rural and urban communities. The LFFJC shall be composed of 33 members. The purpose of LFFJC is to, among other things, assist state agencies, state-owned facilities, and other entities with the purchase and tracking of local farm or food products. Requires the LFFJC to develop a label and certification program for the local farm and food products in conjunction with the Department of Agriculture (DOA).

Requires the LFFJC to be administratively attached to the DOA. Requires the LFFJC members to serve without compensation, but authorizes such members to receive reimbursement of travel expenses. Requires the LFFJC to meet a minimum of two times per year. Authorizes the LFFJC to employ an executive director and staff or contract with independent contractors to execute this Act. Authorizes the board of directors to create a not-for-profit corporation to raise funds to develop, manage, and implement the LFFJC's plans and programs. Creates a local food, farms, and jobs council fund in the State Treasury. Authorizes the LFFJC to solicit grants, loans, and contributions from public or private sources. Requires the DOA to publish an annual report on its website establishing annual goals. Requires an independent audit of the LFFJC by a certified public accountant annually.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds \$500,000

Other Fiscal Impact – To the extent grants and donations are received from non-state private sources for the purpose of funding this legislation, the extent

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of any increased state expenditures could be reduced. However, it is anticipated that the extent of state expenditures necessary to properly effectuate the purpose of this legislation will outweigh the extent of funding received by private sources.

Assumptions:

- Implementing the provisions of the legislation requires only grant funding or private funding sources. It is unknown the availability of any non-state funding or the timing in which those funds will be available.
- It is assumed the amount of resources necessary to implement the provisions of the legislation will not be collected through grant or private funding and as a result, any funding provided is assumed to be appropriated from the General Fund for implementation of the LFFJC.
- The LFFJC will require an executive director position, additional staff, travel costs for 33 council members, public awareness campaign costs, and other costs associated with the creation and implementation of such council; the recurring increase in state expenditures from the General Fund is reasonably estimated to exceed \$300,000. This number is based on the presumption that recurring expenditures for salary and benefits for the executive director exceeds \$100,000; that recurring expenditures for salary and benefits of staff exceeds \$100,000; and recurring expenditures for council member expenses and other operational costs exceed \$100,000.
- The proposed legislation requires state agencies and state-owned facilities purchasing local farm food or products to purchase such food and products at a cost no more than 10 percent higher than for food that would be purchased from out of state farms or out of state food products; the recurring increase in state expenditures to the General fund is reasonably estimated to exceed \$200,000. This number is based on the presumption that the state expends at least \$2,000,000 per year on food. To the extent food costs increase by 10 percent pursuant to the provisions of this legislation, the increase in state expenditures would exceed \$200,000 $[(\$2,000,000 \times 110.0\%) - (\$2,000,000 \times 100.0\%)]$.
- The total recurring increase in state expenditures from the General Fund is reasonably estimated to exceed \$500,000 (\$300,000 + \$200,000).
- The Comptroller of the Treasury, the Division of Audit, will accommodate any additional responsibilities utilizing existing resources without an increased appropriation or a reduced reversion.

IMPACT TO COMMERCE:

Increase Business Revenue – Exceeds \$500,000

Assumption:

- The proposed legislation requires that at least 20 percent of all food and all food products purchased by state agencies and state owned facilities be local farm or food products by 2024. The recurring increase in business revenue resulting from such purchases is estimated to exceed \$500,000.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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